

**MINUTES OF THE AUGUST 10, 2009 MEETING OF THE AGRICULTURE
COMMITTEE OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE
AUTHORITY**

The Board of Directors (the “Board”) of the Illinois Finance Authority (the “IFA”), pursuant to notice duly given, held an Agriculture Committee Teleconference Meeting at 9:30 a.m. on Monday, August 10, 2009 via teleconference at the Chicago Office of the Illinois Finance Authority, 180 No. Stetson Avenue, Suite 2555, Chicago, IL 60601.

<u>Committee Members present:</u>	<u>Committee Members absent:</u>	<u>Additional Board Members participating:</u>
Edward H. Leonard, Sr, Chair Bradley A. Zeller Michael W. Goetz		

Call to Order

Mr. Leonard, Chair of the Agriculture Committee, called the meeting to order at 9:33 a.m. with the above committee and board members present.

Project Approvals

Mr. Reed presented the following project to the Committee for approval:

No. 1: A-FB-TE-CD-8257 – Scott A. Sell

Request for final approval of the issuance of Beginning Farmer Bonds in an amount not-to-exceed \$240,000 for the purchase of 15 acres of farmland with related buildings. This project is located in Kingston, IL (Boone County).

Mr. Reed shared with the committee that this BFB would be used to finance the purchase of 15 acres of farm land including buildings. The borrower has 34% equity in the deal and Alpine Bank is the lender.

Mr. Leonard asked if Mr. Reed would be presenting any participation-Loans to the Board this month. Mr. Reed responded that he was presenting on energy-related participation loan to the Energy Committee later in the week.

Mr. Reed then presented the following Amendments to the Committee:

No. 5: Jeff and Mary Bolomey. A request for a resolution by U.S. Bank and Jeff and Mary Bolomey to amend Guaranteed Loan terms to reduce the borrower’s monthly principal and interest payments by 40% for a 6th month period.

Mr. Reed told the Committee that Jeff and Mary Bolomey received a guaranteed loan in 2000 for specialized livestock. The original loan amount was \$337,000 and the current

balance is \$153,000. The Bolomys raise hogs on contract for Hickory Grove Pork Farms. The hog industry has been doing poorly for the past year. Hog prices have fallen from a high of \$75 in June of 2008 to \$61 in July 2009. This price fall has hit producers like the Bolomy's particularly hard and Hickory Grove's financial problems have trickled down to smaller producers, like the Bolomy's. Hickory Grove's bank asked them to ask all their producers to cut their prices 40% for at least the next 6th months with no guarantees. The Bolomys feel that this is their only option while they search for a new contract.

Mr. Reed continued that the IFA holds as collateral a 2nd mortgage on the land and all the hog buildings. The current Loan to Value is 23%. At this time, the Bolomy's loan is past due and has been since May. Unless they find a new contract Mr. Reed believes that they will be coming back for additional deferrals or adjustments due to this ongoing situation.

Mr. Meister asked if any one had issues with the Bolomy proposal. Mr. Leonard stated that he did not like it but did not see an alternative option. Mr. Zeller agreed with Mr. Leonard and stated that you cannot currently produce pork profitably. Mr. Leonard asked if the hog market has reached the bottom yet. Mr. Reed responded that a turn around is expected during the last quarter of 2009, so he believes that the market has reached the bottom.

Mr. Meister stated that this highlights some of the issues that the guarantees raise. Often there is no good solution other than deferring until a situation resolves itself. Mr. Reed noted that IFA generally attempts to give the lender and the borrower a chance to succeed, even in difficult times, rather than forcing them into bankruptcy and triggering a pull on the guarantee.

No. 6: **Applewood Farms LLC.** A resolution requesting the release of three guarantors from limited personal liability, with conditions, by Bank of Springfield and Applewood Farms LLC.

Mr. Reed shared with the Committee that this project came before the Board for an amendment in February. He stated that they are working through their disease issues with good results and the majority of their animals are now well.

This request is to release 3 of the investors in the original farm, all of whom are not farmers, from personal liability. These three investors are a part of Shiloh Hill LLC, which collectively owns 33.3% of the project. There are seven co-owners of Shiloh Hill LLC, only 3 of whom signed personal guarantees. These are the three men asking to be released from their guarantee. In exchange for releasing them from their personal guarantees though the dissolution of Shiloh Hill LLC, IFA has requested the remaining 3 individuals to sign unlimited financial guarantees.

Mr. Reed provided Applewood Farm's financial statement as of 4/30/09 and an updated collateral summary as well as copies of the previous limited guarantees signed by the investors.

Mr. Zeller stated that if the IFA is giving up \$50,000 in guarantees and in return is securing unlimited personal guarantees it seems like an acceptable solution. Mr. Leonard agreed.

Mr. Reed stated that he believed this would improve IFA's position. With outside investors involved making decisions at the farm is too cumbersome. This will streamline operations, making the farm run more efficiently and allow it to react to market forces more quickly.

No. 7: Merlin and Ryan McClure. A Resolution requesting the release of eighty acres of land from current collateral package securing Participation loans for Merlin and Ryan McClure. (Two Participation Loans)

Mr. Reed stated that this resolution came before the Board last month and this is a correction to that amendment. Mr. Reed shared that Mr. Merlin McClure is going through a divorce and wants to release his wife's share of the farm. Additionally, they are requesting the subordination of a mortgage on the remaining acreage for \$50,000 to pay his wife the \$80,000 in cash she is owed in the settlement.

The meeting was adjourned at 10:04 a.m.

Respectfully Submitted,

Kara Nystrom-Boulahanis